

CDBG PROGRAM

ACTION FUND LOAN

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

Provides a loan to certain types of for-profit companies that need funds for start-up or expansion and have exhausted other sources.

AUTHORIZATION

42 USC § 5301 et seq., 24 C.F.R. Part 570; and Missouri's "Consolidated Plan" submitted to the U.S. Department of Housing and Urban Development.

HOW THE PROGRAM WORKS

Upon application by a city or county, the department may provide a loan to a business.

ELIGIBLE AREAS

Projects can only be in a "non-entitlement" area - a city under 50,000 in population or a county under 200,000 in population.

ELIGIBLE SPONSOR APPLICANTS

Cities and counties.

ELIGIBLE BENEFICIARY BUSINESSES

For-profit manufacturing, processing and assembly companies that will have wages above the county average and provide medical benefits are prioritized.

USE OF FUNDS

- ✓ The purchase of new machinery and equipment or working capital is eligible.
- ✓ Refinancing, pay out of stockholders, buyouts or lines of credit are not eligible.

APPLICATION PROCEDURE

An application must be submitted by the Sponsor on behalf of the business. Applications are reviewed on a case-by-case basis, subject to fund availability

FUNDING LIMITS

- The business must have exhausted other funding sources.
- Only the least amount needed to complete the project may be provided.
- Lesser of \$750,000 per project; 40% of the total project cost; or \$25,000 per new job.
- **Interest Rate:** Determined by DED.
- **Term:** Three to ten years.
- **Collateral:** Depends on the predictability of the cash flow. The loan may be in a subordinate collateral position to the primary lender at the sole discretion of DED.

SPECIAL PROGRAM REQUIREMENTS

- **LMI Employees:** At least 51% of the new jobs to be created must be taken by persons considered "low to moderate income" (LMI).
- **Prevailing Wage Requirement:** If loan proceeds are used for the financing of building construction or the installation of machinery, prevailing wages must be paid to the employees of the contractors.

CONTACT

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ADDITIONAL RESOURCES

Go to the department's home page at www.ded.mo.gov to obtain guidelines and forms for the Action Fund Loan Program as well as a wealth of information regarding this program and Missouri's many other economic development programs and policies.